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ABSTRACT

Will there be radical changes in the workplace by 1997? Four predictions, two full of gloom and doom and two full of promise, are common in current literature. One recent theory holds that we are facing a polarization of American society through the erosion of the middle class. Another gloomy prediction suggests that not only is the middle class eroding, but also that there will be no work for an increasingly large proportion of those seeking work--jobs will be filled by robots. A more hopeful notion is that eliminating government regulations will boost productivity; another is that the nation is about to enter a new era of labor-management cooperation. None of these ideas has much substance, although they may be based on some fact. Rather, each serves some special interests. The actual nature of the workplace in 1997 will probably be not much different than it is today. Change comes slowly and will continue to do so. Some predictions for the future are that business cycles producing recessions will continue to occur; that the work force will continue to grow through fewer young people going to college and more older people working longer; and that technology will bring about job change, but will not bring about an extraordinary demand for new skills. At the same time, workers have changed; they are more educated and have a different family structure. These workers will need different labor-management structures. On the whole, however, the decade will not see radical changes in the workplace. Change takes much time and enormous amounts of capital, and much longer than 10 years will be needed to make an impact. (KC)

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by

Sar A. Levitan

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Milton M. Carrow
Editor

THE WORKPLACE IN 1997

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Will there be radical changes in the workplace by 1997? Perhaps. It is a tribute to the richness of statistics published by government agencies, and the masses of data spewed out from private computers, that enterprising researchers can find evidence for all sorts of propositions by using data selectively. Before we turn to the crystal ball to fathom what is in store for American workers and labor markets a decade hence, it might be worth examining some trendy ideas that are currently receiving attention.

Four Trendy Forecasts

To achieve some balance in a review of misconceptions that dominate current labor market analysis, I will select two predictions of gloom and doom and two that are full of promise and hope for those who believe in the tooth fairy.

1. The Declining Middle

One trendy idea holds that we are facing a polarization of American society through the erosion of the middle class. According to this argument, foreign imports and changes resulting from new technology are causing sharp reductions in middle-management ranks as well as a shift from well-paid manufacturing to low paid service employment. The conclusion is that an increasing proportion of workers is concentrated at the extremes of the earning distribution curve. The facts are that during the past four years executive, administrative and managerial positions rose by 21

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percent. This is almost twice the growth rate of total employment.

A careful reader who has been around long enough to notice would have observed that prognostications about the middle class have come full circle over the past thirty years. For example, Fortune magazine three decades ago pronounced that the United States was undergoing a revolution. Groups "hitherto identified as proletarians" were rushing into the "huge new monied middle-income class." In 1983, Fortune reported that the revolution had ended and the middle class "is gradually being pulled apart [as] economic forces are propelling one family after another toward the high or low end of the income spectrum."

A more realistic and careful investigation would have shown that relatively few "proletarians" were joining the middle class in the 1950s. Similarly, we're likely to find that the more recent gloomy prediction of the erosion of the middle class is no more accurate. Depending on the statistical series used, an analysis of the data during the past 10 or 15 years leads to diametrically contrary conclusions.

Government data on the earning distribution of year-round full-time employees—where middle-income workers are concentrated—show that since 1970 the share of the earnings of the top third has declined while the share of the bottom and middle earners (the middle class) has actually risen. On the other hand, an analysis of family income shows that the share of the bottom and middle thirds has declined while that of the top has risen. However, adding the variable of family size would lead to a different conclusion. On a per capita basis the income of the middle has remained stable. In addition, the role of the tax collector should not be ignored. The share of the middle third after taxes increased, while that of the bottom third also rose, and the top third declined.

A careful examination of all the data leads to the conclusion that there is no solid evidence that the middle class is shrinking. The Census Bureau has consistently found remarkable stability in income distribution despite the profound changes that have taken place in the economy and the labor force since World War II. There appears to be little reason to believe that middle America is about to become an extinct or even an endangered species.

2. **The Future Belongs to Robots**

Another gloomy prediction suggests that not only is the middle class eroding, but that there will be no work for an increasingly large proportion of all persons seeking work. Wassily Leontief, a recent Nobel Laureate in economics, has expressed concern that "labor will become less and less important" as new technology replaces human labor with machines. There is nothing new about his prediction, which has been heard repeatedly since the beginning of the industrial evolution. It can be asserted with some confidence, however, that this forecast is no more true today than it was a century ago. On the contrary, the overall employment to population ratio is now at a historical high.

Computers and robots are definitely here, but it does not follow that the future belongs to them. Robots may be getting smarter and cheaper but, in the foreseeable future, they are hardly likely to replace humans at work. Computers may spit out loads of data but humans are needed to make judgments about the data retrieved from the computers.

Granting that the workplace is changing at an accelerated rate and that computer technology is becoming increasingly sophisticated, changes in the workplace will still be painfully slow and evolutionary in nature. As computer-driven machinery is introduced to ensure more stringent quality controls, the factory and the office will become increasingly capital-

intensive; the replacement of existing technology will be slow due to the cost of the newer equipment. We should expect, therefore, that the workplace a decade hence is not going to be much different than it is today. Even if the 15,000 robots in operation today increased by twenty-fold in the next decade, their work will be confined primarily to repetitive and hazardous work now being done by humans and will replace only a tiny fraction of the estimated 131 million people in the labor force by 1997. For every "working" robot, there will still be more than 400 people in the labor force.

3. **Eliminating Government Regulations Will Boost Productivity**

Now to turn to two more hopeful notions. One fashionable idea that has received wide currency in recent years is that government regulation has stymied productivity growth. Presumably, if government ceased to interfere with free markets, productivity would take off again and return to the levels the economy enjoyed in the 1950s and early 1960s. There is no question that government regulations have reduced measured productivity growth. Achieving clean air, clear water, and safety in the workplace has its cost. However, even ignoring the benefits to society, the best available estimates about the impact of regulations upon productivity suggest that, at most, measured productivity has declined by a fraction of 1 percent as a result of governmental regulations. During the Carter and Reagan administrations much governmental intervention has been reduced but, so far, productivity has not responded to these changes. Indeed, productivity growth during the past four years has been below that of other post-recessionary recoveries since World War II. In 1986, the fourth year of recovery from the 1981-1982 recession, there was even less room for optimism—productivity per work hour increased by less than one percent. We must conclude that governmental intervention in the free market,

whatever its merits or faults, has hardly been the culprit for the declining growth in productivity during the past decade.

4. Labor-Management Cooperation

Another trendy idea is that the nation is about to enter a new era of labor-management harmony. As a response to foreign competition and threatening trade deficits, the appeal for labor and management cooperation to close ranks in the national interest is certainly appealing. It is reminiscent of Benjamin Franklin's warning: "We must indeed all hang together, or most assuredly we shall hang separately." Unfortunately, clarion calls alone do not resolve the age-old conflicts between labor and management.

One popular suggestion to iron out labor-management differences is the establishment of quality of worklife programs. Advocates have also placed much reliance on the increasing prominence of quality circles. it is not clear, however, who is going to run circles around whom.

While paying lip service to cooperation, American management has often tried to undermine employee efforts to organize—the essential ingredient in giving employees a meaningful voice in the workplace. A few companies have established grievance procedures which allow employees to air concerns. In most cases, however, management preaches worker cooperation but ignores workers' priorities if they conflict with immediate profit-maximization efforts. Employees are encouraged to participate in corporate decisionmaking only if it does not infringe on the management prerogatives. Such efforts differ little from traditional management attempts to secure the voluntary cooperation of workers and to encourage identification with management goals.

There are persuasive reasons to encourage participative management techniques. By increasing worker involvement, management can tap new ideas

and employee dignity is enhanced. But the hope that purely cosmetic changes will radically alter the work environment or transform labor-management relations is likely to result in frustration. The traditional adversarial relationship between labor and management is, for better or worse, resistant to change.

The Basis for the Trendy Ideas

If there seems to be little substance to the above ideas, why are they so popular? The answer appears to be that each of the notions, whether or not it has any basis in fact--and some certainly do--serves certain interests.

Predictions of cataclysmic developments appeal to the media and very frequently pay off in the coin of the realm. There is no room for "on the other hand" in a 30-second comment on the tube; neither is it likely to catch headlines or be published on the op-ed page. The sensational approach also pays off on the lecture circuit and is the grist for best sellers. Predictions of mass layoffs of middle management or highly-paid blue collar workers play into the hands of those who wish to blame free market operations for failing to place restraints on mass layoffs or plant closings. On the other hand, business representatives find comfort in predictions about the effects of deregulation because they promise lower production costs, rising productivity, and higher profits.

Preaching labor-management cooperation is always good for Labor Day orations. In recent years, when union leaders have been forced to accept concessions in order to save the jobs of their members, they could assume a statesmanlike posture and declare that the settlement was necessary to achieve better labor-management cooperation. And the advantages to management are clear when all that is required is advocating cooperation

without the costs of implementation.

A View from 1997

The rejection of the trendy ideas suggests that we should not expect radical changes in the workplace by 1997. Accurately forecasting overall labor force demand and supply a decade hence is not as speculative as it might appear. About five of every six persons who will be in the labor force in 1997 are already working or looking for jobs.

Macroeconomic Assumptions

On the demand side, if history is any guide for the future, the American economy will experience at least two business cycles within the next decade. Of course, we all hope that future recessions will be milder and shorter than the last one. But hope is not a prediction. Unprecedented high federal budget shortfalls, the disturbing trade deficits, and the uncertain state of recently deregulated financial institutions all require action and wisdom on the part of policymakers if we are to avoid other deep recessions. Congress is trying to chip away at the budget deficit. The declining value of the dollar should help alleviate the trade deficit, but no steps have been taken to avoid the potential damage from the third challenge.

Given these assumptions, although policymakers should not abandon hope and should strive for better times, loose labor markets may be in the offing for the balance of this decade. The supply side economics championed by President Reagan has not yet had any perceptible impact upon savings. Because of large deficits, the federal government will be forced to compete more vigorously with business for the limited available capital. This will slow down private investment and job expansion.

Labor Supply

The supply of labor during the next decade will continue to increase despite reduced birthrates in the 1960s and 1970s. While the total supply of teenagers will decline, it is probable that the labor force participation rate of young people will increase either because they will not be able to pay for higher education or the attractions of longer education will diminish. Cutbacks in federal support for youth attending college may discourage some from enrolling, particularly as the cost of a college education--whether public or private--continues to rise. In addition, the prestige value of a sheepskin is declining as the supply of college graduates has increased at a faster rate than the number of jobs requiring college degrees. According to the Bureau of Labor Statistics, 90 percent of college graduates in the 1960s found jobs in managerial, professional, or administrative occupations; as compared with three of every ten who had to settle for lesser jobs during the succeeding decade.

At the other end of the age spectrum, it is likely that older employees will stay in the work force longer and that early retirement will become increasingly unattainable. The federal government is already taxing the social security benefits of more affluent retirees. As Congress continues to look for revenue enhancement, it may tax all social security benefits. Full indexing of social security benefits also may be ended, as it has been for retired federal employees. The high cost of pensions will induce employers to discourage early retirement. The federal government is already trying to do that for its employees. Reliance upon private pensions may also be shaken. If Congress supports the administration's proposals to privatize the present insurance system designed to guarantee the solvency of pensions, the integrity of the private pension system may be jeopardized.

There is every reason to believe that women will continue to flock into the labor market, although not necessarily at the rate experienced during the past decade. Women continue to acquire more education, postponing marriage and children, to prepare themselves for lifetime careers. While the divorce rate has stabilized, at above five per thousand population, the number of female-headed families continues to rise. In 1985, households headed by women accounted for one of every five families with children under 18, nearly double the proportion in 1970. These women are not likely to withdraw from the labor market.

Even if the labor force participation of the native population does not rise as anticipated, immigration may continue to swell the supply of labor in the United States. Since the United States offers extremely attractive opportunities to immigrants, the new law is not likely to seal American borders. Moreover, international events may require that the United States accept additional political refugees.

Changing Nature of Work

The overall supply and demand of labor will change slowly, as will the occupational composition of the labor force. New technology will generate both mundane, low-paying jobs and sophisticated, high-paying jobs, just as mechanization and automation have done in the past. The Bureau of Labor Statistics has estimated that by 1995, for every computer specialist, operator, or technician added to the workforce, there will be three additional unskilled laborers, three salesworkers, and seven clerical workers.

No doubt the content of many jobs will change. But these changes will not substantially alter the basic skills required for work. The most numerous occupation in the American economy is that of secretary and office clerk. Today there are some 7 million individuals performing these duties.

Despite the introduction of new office equipment over the past century, intrinsic secretarial skills have changed very little since the typewriter was introduced. Whether secretaries operate a manual typewriter or a word processor, carbon paper or a photo-offsetting machine, the skills necessary to perform the job remain essentially the same--an ability to type and to spell correctly. The work of the secretary does not end, obviously, with the ability to type, and the many other administrative and related tasks that secretaries perform are hardly going to change. The word processor has replaced the typewriter, and the voice-to-digital transcriber may supplant the dictating machine before too long, but there is little prospect that the secretary's administrative and planning duties will change in the foreseeable future.

Technology may result in similar small-scale transformations of jobs performed by other millions of workers. Computers may record transactions on magnetic tape for the 3 million salesworkers, but the products of stores will still have to sold. Even when checkout counters are automated with optical scanners, someone must still manage the cash register.

The horseless carriage brought about a cataclysmic transformation in American life, but it did not involve radical skill requirements. The bulk of automobile workers require only minimal skills and the jobs of the nearly 4 million track, cab, and bus drivers have hardly changed in the past threescore years.

Similarly, sweepers may work with a vacuum cleaner instead of a broom, but they still pick up the same old dirt, and garbage collectors, even when they are called sanitation engineers, still collect garbage even if they do so in an air-conditioned truck.

In sum, the evidence seems overwhelming that in the next decade the economy is not going to generate an extraordinary demand for new skills.

Computer technology may appear to us, the first generation of observers and participants, as promising (or threatening) a revolutionary transformation of work and society. It does not follow, however, that users will have to be familiar with the mysteries of computer technology. We all know how to operate a telephone, but very few fathom the technology that makes it work.

Whatever wonders computer technology may spawn, the production managers will simplify work. "User friendly" computers have been designed to require only marginal changes in skill requirements.

Adjustment to Changes

While the nature of work has evolved only gradually, the character of the labor force has changed at a much faster rate. These changes--all too often missed by the forecasters of trendy ideas--will require adjustments in the treatment of employees and in labor-management relations.

The most significant development has been the rise in educational attainment of American workers. In 1940, the median American worker acquired slightly more than a grade school education. Today more than half of all workers have a smattering of college and three of every four new employees in American industry are high school graduates.

The changing structure of the family has also had a major impact on the workplace. The majority of American families no longer depend on the earnings of one breadwinner because married women with spouses present--to use the government statisticians' phrase--are now in the workforce. The proportion of two-earner households is likely to increase during the next decade. With fewer mouths to feed because of anticipated low fertility rates together with postponed marriage and childbearing, American families should experience continuous boosts in discretionary income. Higher educational attainment and greater affluence among employees will call for greater sensitivity and attention by management to the concerns of their

workforce. So far there has been a great deal of rhetoric but, with few exceptions, no overall change in labor-management relations. Questions about the optimal amount of delegation of authority and control have been debated at least since Jethro advised Moses on the organization of his chain of command. The latest pronouncements by management and their consultants have not shed much light on the subject.

The 20th century has experienced a significant cumulative transformation in the workplace and changes are likely to continue in the next decade. But even if changes in the workplace are accelerating, as some observers suggest, a decade is too short a period for radical changes. Managers and workers in the labor market will continue to face the same problems.

Given present technology, it is easy to envision cataclysmic changes within a short period, but to radically transform the workplace vast capital expenditures would be necessary. Because the populace is unlikely to drastically reduce its demand for government services, government responsibilities will not decline in the years ahead. A rising share of the nation's product will be needed for defense and to support social programs. To pay for these outlays, the government will continue to tax and borrow. This will reduce the share of the GNP available to savings and investment, and limit capital available for investment in new technology. The capital necessary to fuel a short-term restructuring of the economy is not likely to materialize.

We should not expect, therefore, any radical changes in the workplace. The robots may take over some of the more unpleasant and repetitive work and computers may perform some jobs now performed by humans. People will, however, continue to work not only for the pay but for many other reasons. Most of us are destined to be neither poets or philosophers and we get our

satisfaction in life by creating things or performing services. "Man's work gives him," Sigmund Freud said, "a secure place in a portion of reality in the human community."

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